

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
IN BANKRUPTCY & INSOLVENCY  
JUDICIAL DISTRICT OF EDMONTON**

**IN THE MATTER OF THE DIVISION I PROPOSAL OF  
ALBERTA PERMIT PRO INC.**

**Trustee's First Report**

**Introduction and Purpose**

Alberta Permit Pro Inc. (the "Company") filed a Notice of Intention to Make a Proposal ("NOI") on March 30, 2010 (attached as Exhibit "A") and Meyers Norris Penny Limited consented to act as Trustee under the Proposal. The Trustee issued a copy of the NOI to all known creditors on April 7, 2010. A copy of the list of creditors is attached as Exhibit "B". A Cash Flow Projection (the "Cash Flow") was prepared and filed on April 9, 2010 together with the Trustee's Report on Cash Flow Statement and the Report on Cash Flow Statement by the Person Making the Proposal (attached as Exhibit "C").

The Trustee has prepared this Trustee's First Report to provide the Court with a background of the Company, details with respect to the Company's post filing operations and as a Report under Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* ("BIA").

It is our view that the Company will not be in a position to file a definitive Proposal by April 29, 2010, being the thirty (30) day deadline to file a Proposal pursuant to Section 50.4(8) of the BIA.

**Background**

Alberta Permit Pro Inc. is an accredited privately held corporation. It was incorporated on April 1, 2004 and Matthew Korobanik is listed as the sole Director. A Corporate Registry search dated March 26, 2010 list 1281117 Alberta Ltd. ("128") as the sole shareholder holding 100% of the voting shares.

The Company's main activities include reviewing applications, issuing and inspection of permits within the building, electrical, fire, gas and plumbing disciplines.

The Company's head office is located in Edmonton, Alberta with branch offices located in various places throughout Alberta including Grande Prairie and

Chestermere. The Company currently employs approximately twenty-five (25) employees and its primary customers include municipalities throughout the Province of Alberta.

The Company's current financial difficulties appear to have arisen from the following single significant accounting irregularity that was not anticipated by the Company:

On July 1, 2008, 128 purchased the shares of the Company. Subsequent to the conclusion of the sale, the Canada Revenue Agency ("CRA") completed a reassessment of the income tax liability for the periods of 2001 to 2004. The Company was reassessed an estimated balance owing of \$700,000 pertaining to the amalgamation of various entities during these periods into one entity being Alberta Permit Pro Inc.

### **Secured Creditors**

Management advises that the Company is currently indebted to one secured creditor, CIT Financial Ltd. ("CIT"). A Personal Property Registration Search indicates that CIT has registered security against certain office equipment currently being used by the Company. As of the date of this report, the balance owing to CIT has not been determined.

A personal Property Registration search lists an additional secured creditor, Kal Tire, who registered security by way of a Garage Keepers' lien against one of the Company's vehicles. Management has advised that this debt was paid in full prior to the filing of the NOI.

### **Litigation**

The Company is currently involved with a number of ongoing lawsuits. As the outcome of the litigations is yet to be determined, the parties to the lawsuits have been listed as contingent creditors of the Company. A background of the respective lawsuits, as provided by management, is summarized below:

#### *Bond Street Properties Inc. ("BSP") – Action No.: 0903-16224*

A Statement of Claim (the "Claim") was filed by BSP on October 15, 2009 against the Company, the partnership, and the pre-amalgamated corporations of the Company. The Claim also names Richard Kerscher, personally, and the Regional Municipality of Wood Buffalo. The Regional Municipality of Wood Buffalo subsequently issued a third party notice to the Company. The Claim has been defended by all parties and Affidavits of Records were due to be exchanged in mid April, 2010. The Claim is for \$275,000, and is based on the alleged failure of the Company to issue a building permit and return the building permit fee. The Company has, included in its books and records, a copy of the

building permit which was issued, and as such, it is the Company's position that a refund is not warranted.

*Kor Alta Construction Ltd. ("Kor Alta") – Action No.: P0990304388*

The Claim names the Company as the Defendant, and alleges that the Plaintiff, Kor Alta, provided a cancellation form for their building project for which the Company has not subsequently issued a refund. The Company received a letter from counsel for Kor Alta on the same day the NOI was filed requesting additional documentation, failing which the matter would be set down for trial. As this is a Provincial Court matter for a total of \$28,000 (an amount which exceeds the monetary jurisdiction of the Provincial Court by \$3,000.00) Kor Alta would be awarded a maximum judgment of \$25,000.00 plus interest and costs in the event that the Court decided in their favour.

*Regional Municipality of Wood Buffalo ("Wood Buffalo") – Action No.: 0903-17468*

The Company commenced an action against Wood Buffalo for \$36,000,000 on account of Wood Buffalo's failure to honour an option provided for in a Service Contract entered into between the Company and Wood Buffalo. Wood Buffalo is contesting on the basis that the contract between the parties didn't include the option, however, the Company claims to have a copy of the contract including the option, which has been executed by a Municipality member of Wood Buffalo. Wood Buffalo subsequently brought a countersuit against the Company for \$5,800,000, claiming costs for rectifying the Company's deficiencies and failure to remit permit fees back to the Wood Buffalo. The Company has not filed a Statement of Defence to the Counterclaim as the NOI was filed.

*Claims for Damages*

Five (5) Claims for damages of \$30,000 per Claim have been filed by five (5) individuals, namely, Bernadine Young, George Britton, Helen Hutchins, Lisa Marquis and Mandy Mannix as a result of a fire occurring in April, 2007. The Company, among several others, was named as a Defendant as a result of having issued permits for a development that caught fire. The Company has subsequently forwarded the information pertaining to the Claims to its insurance provider.

*Claims of Former Employees*

Bruno Mittelstadt, a former employee, filed a Claim in the amount of \$20,000 against the Company for vacation and overtime pay owing. The Company has filed the necessary paperwork to dispute the claim and no further action has been taken to date.

A former employee, Cindy Burke Hines, has filed a Claim against the Company for improper termination for an estimated amount of \$3,000. The Company is of the opinion that the employee was terminated with just cause but no further action has been taken to date.

Dennis Mack

The Trustee continues to review the nature of this claim and has insufficient information to comment at this time.

### **Post Filing Activity**

Subsequent to the Company's filing of the NOI on March 30, 2010, the Company has continued to carry on business. A summary of the Cash In and Cash Out for this period is summarized below.

#### *Accounts Receivable*

The Company's Accounts Receivable listing for Permit Revenue and Contract Revenue as at April 21, 2010 totals \$254,508.99. Of this balance \$73,054 (or 29%) is less than 30 days outstanding; \$142,779.14 (or 56%) is between 31-60 days outstanding and \$38,675.85 (or 15%) is greater than 61 days outstanding. In our review of these accounts with management, the Company anticipates that all accounts are fully collectable.

#### *Cash In*

From a review of the online bank statements provided by the Company, and assuming that all deposits to the account represent the collection of Accounts Receivable, the Company has collected accounts totalling \$95,191.25 from the period of filing the Cash Flow (April 9, 2010) to April 21, 2010. In comparison to the Company's Cash Flow projection of \$151,013 for the entire month of April, 2010 the Company has collected approximately 63% ( $95,191/151,013 = 63\%$ ) of the projected amount. The Company has advised that a majority of its customers, being municipalities, render payment on invoices at the end of each month and expects the Company will meet the projected amount for April, 2010.

Further to the above and also based upon the assumption that all deposits to the bank account represent the collection of Accounts Receivable, the Company has collected a total of \$43,425.53 of accounts from April 1, 2010 to April 9, 2010. Therefore, the total accounts collected from April 1, 2010 to April 21, 2010 is \$138,616.70 ( $\$95,191.25 + \$43,425.53$ ) or 91% of the projected monthly amount ( $138,616/151,013$ ).

#### *Cash Out*

A review of the Company's bank statement indicates that \$93,459.07 has been paid from the account subsequent to the filing of the Cash Flow. Of this amount, \$49,624.01 represents payment of salaries and benefits, inclusive of employee and employer portions of source deductions remitted to CRA paid to date. The projected allowance for payment of all salaries and benefits as stated on the Company's Cash Flow for the month of April, 2010 is \$118,807 (\$77,344 + \$41,463) and as such this expenditure, to date, is in line with the April projections.

An additional \$34,085.17 was paid to creditors of the Company, namely Shelbra International and Ron Rick Holdings subsequent to the filing of the Cash Flow. The payments are for \$28,835.17 and \$5,250 respectively. The Company advises that these payments represent the costs of rent, vehicles, contract employee's and purchases made subsequent to the filing of the Cash Flow and that no portion of these payments represent the payment of a pre NOI debt.

The remaining balance of \$9,749.89 represents payment to the Workers' Compensation Board, utility companies, and travel expenses.

Management of the Company advises that no portion of any pre NOI debt has been paid by the Company as at the date of this report.

#### *Other Matters*

In an effort to provide information and reassurance as to the reasons for filing the NOI and the Company's ability to subsequently fulfill the terms of a Proposal, the Company met with several of its key customers (the "Customers") between April 6<sup>th</sup>, 2010 and April 22<sup>nd</sup>, 2010. A majority of the Customers included representatives from municipalities throughout Alberta. The objective of these meetings was to answer any immediate questions from the Customers and explain the processes involved in filing the NOI and Proposal. As the industry is very relationship driven the Company felt it was necessary and beneficial to communicate with its Customers on an individual and personal level. The Company has advised that the meetings were a success and it feels the Customers support the Company's intentions in filing a Proposal.

The Company, along with the Trustee, also held a similar meeting with the Company's governing regulatory body, Alberta Safety Codes Council ("ASCC") who are responsible for accrediting municipalities, corporations and agencies that sell permits and inspect work carried out under those permits. Management has advised that this meeting was also deemed to be successful.

Management has advised that subsequent to the filing of the NOI one (1) employee terminated its employment with the Company for reasons unrelated to the Company's restructuring efforts.

### *Revised Cash Flow Projection*

Upon management's further review of the Cash Flow Projection filed on April 9, 2010 the Company is uncertain if its current projections are accurate due to the volatility of the spring and summer construction seasons.

Management is also seeking out potential investors that may provide additional cash injections into the Company which would in turn alter the cash flow.

### **Application for Extension**

In our opinion the Company would not be in a position to file a definitive Proposal by April 29, 2010. As investors are being contemplated as part of the Proposal and as a more detailed analysis of the pending construction season is required, an extension in time to file the Proposal would ensure sufficient time to deal with investors and complete a further analysis of the spring and summer construction season.

Further, the Trustee notes that we have not conducted a review of the Company's records for periods prior to the filing of the NOI nor have we been requested to do so by any creditor.

Based upon information provided to the Trustee since the NOI, and while the Company has been operating under the NOI, it is our opinion that:

- a) The Company has and continues to act in good faith and with due diligence in formulating a Proposal,
- b) The Company would likely be able to make a viable Proposal if an extension was granted, and
- c) No creditor will be materially prejudiced if an extension is granted and the Company continues to act in good faith.

**DATED** this 26<sup>th</sup>, day of April, 2010.

**Meyers Norris Penny Limited**  
in its capacity as Trustee in the Division I Proposal of  
**Alberta Permit Pro Inc.**  
and not in its personal capacity

Per: Grant Bazian, CIRP, Trustee  
President



District of Edmonton  
Division No. \_\_\_\_ - Edmonton  
Court No.  
Estate No.

NOTICE OF INTENTION TO MAKE A PROPOSAL  
(Subsection 50.4(1))

IN THE MATTER OF THE PROPOSAL OF

ALBERTA PERMIT PRO INC.  
of the City of Edmonton, in the Province of Alberta

TAKE NOTICE THAT:

1. Alberta Permit Pro Inc., an insolvent person, states, pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, that it intends to make a proposal to its creditors.
2. Meyers Norris Penny Limited of Edmonton, Alberta, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached hereto.
3. A list of the names of the known creditors with claims of \$250.00 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against Alberta Permit Pro Inc. are stayed as of the date of filing this notice with the official receiver in the locality of the insolvent person.

Dated at Edmonton, Alberta this 17<sup>th</sup> day of March, 2010.

ALBERTA PERMIT PRO INC., Insolvent Person



Per: Matthew Korobanik

To be completed by Official Receiver

Filing Date: \_\_\_\_\_

\_\_\_\_\_  
Official Receiver

## Meyers Norris Penny Limited

EXHIBIT " B "Claims Register  
(Standard)

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
<b>Secured creditors</b>						
1. CIT Financial Group 5035 South Service Road Burlington ON L7R 4C8	No	Not proved				
Total : Secured creditors						

**Unsecured creditors**

1. 1281117 Alberta Ltd. 4715-204 Street Edmonton AB T6M 0C3	No	Not proved		7,500,000.00		
2. Alberta Finance and Enterprise Tax and Revenue Administration 9811- 109 St Edmonton AB T5K 2L5 2011003569	No	Not proved		350,000.00		
3. Alberta Finance and Enterprise Tax and Revenue Administration 9811- 109 St Edmonton AB T5K 2L5 204916092	No	Not proved		1.00		
4. Alberta Finance and Enterprise Tax and Revenue Administration 9811- 109 St Edmonton AB T5K 2L5 205110091	No	Not proved		1.00		
5. Alberta Finance and Enterprise Tax and Revenue Administration 9811- 109 St Edmonton AB T5K 2L5 206876567	No	Not proved		1.00		
6. Canada Revenue Agency Regional Intake Centre for Insolvency (RICI) Suite 10, 9700 Jasper Avenue Edmonton AB T5J 4C8 12979 1190 RC0001	No	Not proved		350,000.00		
7. Canada Revenue Agency Regional Intake Centre for Insolvency (RICI) Suite 10, 9700 Jasper Avenue Edmonton AB T5J 4C8 12979 1190 RC0002	No	Not proved		1.00		
8. Canada Revenue Agency Regional Intake Centre for Insolvency (RICI) Suite 10, 9700 Jasper Avenue Edmonton AB T5J 4C8 12979 1190 RT	No	Not proved		100,000.00		
9. Canada Revenue Agency Regional Intake Centre for Insolvency (RICI) Suite 10, 9700 Jasper Avenue Edmonton AB T5J 4C8 13124 3909 RC0001	No	Not proved		1.00		

Claims Register for Alberta Permit Pro Inc. - Continued

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
10. Canada Revenue Agency Regional Intake Centre for Insolvency (RICT) Suite 10, 9700 Jasper Avenue Edmonton AB T5J 4C8 89680 0794 RC0001	No	Not proved			1.00	
11. CIT Financial Group 5035 South Service Road Burlington ON L7R 4C8	No	Not proved			1.00	
12. Kal Tire Corporate Partnership 2501-48th Avenue Vernon BC V1T 3P9	No				1.00	
13. Nate and Jane Seely c/o Witten (B&S) 2500, 10303 Jasper Avenue Edmonton AB T5J 3N6	No				1.00	
14. Ron Rick Holding 116 Osland Drive Edmonton AB T6R 2A2	No	Not proved			378,000.00	
15. Shelbra International 116 Osland Drive Edmonton AB T6R 2A2	No	Not proved			1.00	
<b>Total : Unsecured creditors</b>					<b>8,678,010.00</b>	

**Contingent Creditors**

1. Bernadine Young c/o Chatwin LLP Attn: Damian Sheppard 701, 10025-106 Street Edmonton AB T5J 1G4 0903 05557	No	Not proved			1.00	
2. Bond Street Properties Inc 10018 - 105 Street Edmonton AB T5J 1C6	No	Not proved			1.00	
3. Bruno Mittelstadt c/o Employment Standards Main Floor, Elveden Centre, 7177 Avenue SW Calgary AB T2P 0Z3	No	Not proved			1.00	
4. Cindy Burke Hines c/o Human Rights Commission Alberta Human Rights Commission 800 Standard Life Centre, 10405 Jasper Avenue Edmonton AB T5J 4R7	No	Not proved			1.00	
5. Dennis Mack c/o Parlee McLaws LLP Attn: Robert James 1500 Manulife Place, 10180 - 101 Street Edmonton AB T5J 4K1	No	Not proved			1.00	
6. George Britton c/o Chatwin LLP Attn: Damian Sheppard 701, 10025-106 Street Edmonton AB T5J 1G4 0903 05560	No	Not proved			1.00	
7. Helen Hutchins c/o Chatwin LLP Attn: Damian Sheppard 701-10025-106 Street Edmonton AB T5J 1G4 0903 05560	No	Not proved			1.00	
8. Kor Alta 2461 - 76 Ave Edmonton AB T6P 1P6	No	Not proved			1.00	

Claims Register for Alberta Permit Pro Inc. - Concluded

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
9. Lisa Marquis c/o Chatwin LLP Attn: Damian Sheppard 701, 10025-106 Street Edmonton AB T5J 1G4 USA 0903 05558	No	Not proved			1.00	
10. Mandy Mannix c/o Chatwin LLP Attn: Damian Sheppard 701, 10025-106 Street Edmonton AB T5J 1G4 0903 05556	No	Not proved			1.00	
11. Regional Municipality of Wood Buffalo 9909 Franklin Ave Fort McMurray AB T9H 2K4	No	Not proved			1.00	
Total : Contingent Creditors					11.00	
				Grand Total:	8,678,021.00	